



Service Corporation International Reports Record Results for 1997

January 29, 1998

HOUSTON, Jan. 29 /PRNewswire/ -- Service Corporation International (NYSE: SRV) (SCI), the world's largest funeral and cemetery company, today reported record revenues and earnings for 1997. For the year ended December 31, 1997, the company reported revenues of \$2.5 billion, net income of \$333.8 million and diluted earnings per share of \$1.31 (basic of \$1.36). This represents a 7.6 percent increase in revenues, a 25.8 percent increase in net income and a 21.3 percent increase in diluted earnings per share (20.4 percent increase in basic) when compared to 1996. During 1997, SCI operations performed approximately 533,000 funeral services worldwide, 253,000 in North America, 251,000 in Europe and 29,000 on the Pacific Rim.

For the three months ended December 31, 1997, the company reported revenues of \$644.0 million, net income of \$91.9 million and diluted earnings per share of \$.36 (basic of \$.36). This represents a 5.7 percent increase in revenues, a 24.6 percent increase in net income and a 20.0 percent increase in diluted earnings per share (16.1 percent increase in basic) over the same period in 1996.

SCI Chairman and Chief Executive Officer Robert L. Waltrip said, "I am very pleased to announce our eighth consecutive year of increased revenues and earnings per share. SCI's consistent earnings growth over the last eight years has resulted in an impressive, compounded annual earnings per share growth rate of 19.6 percent which continues to place SCI in the upper echelon of the S&P 500 for consistent earnings growth."

Acquisition Activity

During 1997, SCI acquired 294 funeral service locations, 51 cemeteries and 19 crematoria at a cost of \$643 million. These businesses are expected to produce approximately \$260 million in annualized revenues including \$180 million from North American operations and \$80 million from operations outside North America. Excluding 1994 and 1995, which included major strategic acquisitions in the United Kingdom and France, 1997 was the largest acquisition year in SCI's history.

1997 Fourth Quarter Highlights:

Revenues from existing business clusters in North America, Europe and the Pacific Rim owned for both periods increased 3.3 percent to \$612.4 million, contributing \$176.0 million to existing cluster operating profit, a 7.8 percent increase over last year.

Compared to the fourth quarter of 1996, Funeral segment revenues increased 1.9 percent to \$452.8 million. Growth in Funeral revenues was limited by a reduced number of mortalities in markets served by SCI in the U.S., Europe and Australia, and by the strengthening of the U.S. dollar relative to the French franc, compared to the same period last year. The adverse effect on reported revenues from the company's French operations due to changes in the currency exchange rate was approximately \$18 million this quarter (\$68 million for the year). Funeral segment profits rose \$2.4 million to \$111.7 million, an increase of 2.2 percent. Funeral segment margins for the fourth quarter of 1997 increased slightly to 24.7%, compared to 24.6% in the same period of 1996. For the year ended December 31, 1997, Funeral segment margins increased 70 basis points to 23.6%, compared to 22.9% for the year ended 1996.

During the fourth quarter of 1997, sales of prearranged funeral contracts were approximately \$136 million (\$561 million for the year), which expanded the backlog of prearranged funeral contracts to be serviced in future periods to approximately \$3.2 billion. Revenues and associated investment earnings from such contracts are deferred, and will be recognized during the periods in which the funeral services are actually performed.

Compared to fourth quarter of 1996, Cemetery segment revenues increased 15.1 percent to \$186.1 million. Cemetery segment profits rose \$12.5 million to \$70.8 million, an increase of 21.5 percent, reflecting the results of recently acquired cemeteries, increased sales of preneed property and merchandise at existing cemeteries, as well as investment returns associated with the larger asset base from the cemetery merchandise and endowment care trust funds. Cemetery segment margins expanded to 37.9 percent, compared to 35.9 percent for fourth quarter of 1996. For the year ended December 31, 1997, Cemetery segment margins expanded 240 basis points to 37.5%, compared to 35.1% for the year ended 1996.

General and administrative costs decreased 21.5% for the fourth quarter of 1997 to \$17.6 million as compared to the same period of 1996. This decrease was the result of a \$6 million charge incurred during the fourth quarter of 1996 for expenses associated with the Company's exchange offer for The Loewen Group Inc. which was subsequently withdrawn in January of 1997. For the year ended December 31, 1997, general and administrative costs were \$66.8 million, or 2.7 percent of revenues, compared to \$63.2 million, or 2.8 percent of revenues, for the prior year.

Interest expense for the fourth quarter of 1997 increased \$0.7 million to \$36.4 million. Increased indebtedness related to acquisitions was substantially offset by reduced interest rates on indebtedness resulting the Company's refinancing of certain long-term debt during 1997 and hedging programs associated with its international operations. For the year ended December 31, 1997, interest expense was \$136.7 million, or 5.5 percent of revenues, compared to \$138.6 million, or 6.0 percent of revenues, for the prior year.

As of December 31, 1997, SCI operated 3,127 funeral service locations, 392 cemeteries and 166 crematoria. SCI provides funeral and cemetery services in 17 countries on five continents. SCI's stock is traded on the New York Stock Exchange. The company's ticker symbol is SRV.

The Company has adopted Financial Accounting Standard (FAS) No. 128 "Earnings Per Share". This FAS requires the disclosure of basic and diluted earnings per share, replacing primary and fully diluted earnings per share, respectively. The following earnings per share amounts have been restated to reflect FAS 128.

	Quarter Ended			Year
	Mar. 31	Jun. 30	Sept. 30	Dec. 31
				Dec. 31

Basic					
1996	\$0.31	\$0.26	\$0.25	\$0.31	\$1.13
1997	0.38 (A)	0.33	0.29	0.36	1.36
Diluted					
1996	\$0.29	\$0.25	\$0.24	\$0.30	\$1.08
1997	0.36 (A)	0.31	0.28	0.36	1.31

(A) Includes a net \$.01 from the sale of the Company's investment in Equity Corporation International and the repurchase by the Company of certain of its outstanding debt issues.

SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF INCOME

(Thousands, except per share amounts)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	1997	1996	1997	1996
Revenues:				
Funeral	\$452,838	\$444,356	\$1,727,003	\$1,663,387
Cemetery	186,709	162,221	724,862	612,421
Financial serv	4,447	2,915	16,537	18,386
	643,994	609,492	2,468,402	2,294,194
Cost and expenses:				
Funeral	341,095	335,013	1,318,920	1,282,546
Cemetery	115,944	103,959	452,965	397,700
Financial serv	2,450	1,677	8,905	9,496
	459,489	440,649	1,780,790	1,689,742
	184,505	168,843	687,612	604,452
General and administrative expense	(17,566)	(22,378)	(66,781)	(63,215)
Income from operations	166,939	146,465	620,831	541,237
Interest expense	(36,355)	(35,631)	(136,720)	(138,557)
Dividends on preferred securities of SCI Finance LLC	---	(2,695)	(4,382)	(10,781)
Other income	10,982	6,177	32,167	21,982
Gain on sale of investment	---	---	68,077	---
	(25,373)	(32,149)	(40,858)	(127,356)
Income before income taxes	141,566	114,316	579,973	413,881
Provision for income taxes	49,686	40,560	205,421	148,583
Net income before extraordinary loss	91,880	73,756	374,552	265,298
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)	---	---	(40,802)	---
Net income	\$ 91,880	\$ 73,756	\$333,750	\$265,298

Earnings per share:

Basic:

Income before extraordinary loss	\$	0.36	\$	0.31	\$	1.53	\$	1.13
Extraordinary loss on early extinguishment of debt		---		---		(0.17)		---
Net income	\$	0.36	\$	0.31	\$	1.36	\$	1.13

Diluted:

Income before extraordinary loss	\$	0.36	\$	0.30	\$	1.47	\$	1.08
Extraordinary loss on early extinguishment of debt		---		---		(0.16)		---
Net income	\$	0.36	\$	0.30	\$	1.31	\$	1.08

Weighted average number of common shares

	252,112	235,661	245,470	235,299
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Geographic segment information was as follows:

(Dollars in thousands)

	United States	France	Other European	Other Foreign	Consol.
Revenues:					
12 mths. ended Dec. 31:					
1997	\$1,588,831	\$485,264	\$225,087	\$169,220	\$2,468,402
1996	\$1,409,408	\$539,193	\$182,830	\$162,763	\$2,294,194

Change from prior yr	\$	179,423	\$(53,929)	\$	42,257	\$	6,457	\$	174,208
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% change from prior yr		12.7%	-10.0%		23.1%		4.0%		7.6%
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3 mths.

ended

Dec. 31:

1997	\$	410,361	\$	129,597	\$	61,783	\$	42,253	\$	643,994
1996	\$	375,182	\$	144,014	\$	49,077	\$	41,219	\$	609,492

Change

from

prior

yr

	\$	35,179	\$(14,417)	\$	12,706	\$	1,034	\$	34,502
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% change

from

prior

yr

		9.4%	-10.0%		25.9%		2.5%		5.7%
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Inc. from
operations:

12 mths.

ended

Dec. 31:

1997	\$ 471,237	\$ 54,541	\$ 44,747	\$ 50,306	\$ 620,831
1996	\$ 400,924	\$ 54,305	\$ 34,973	\$ 51,035	\$ 541,237

Change

from

prior

yr

\$ 70,313	\$ 236	\$ 9,774	\$ (729)	\$ 79,594
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% change

from

prior

yr

17.5%	0.4%	27.9%	-1.4%	14.7%
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3 mths.

ended

Dec. 31:

1997	\$ 124,322	\$ 18,224	\$ 13,693	\$10,700	\$ 166,939
1996	\$ 108,071	\$ 19,540	\$ 7,679	\$11,175	\$ 146,465

Change

from

prior

yr

\$ 16,251	\$(1,316)	\$ 6,014	\$ (475)	\$ 20,474
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% change

from

prior

yr

15.0%	-6.7%	78.3%	-4.3%	14.0%
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Operating income margin:

12 mths.

ended

Dec. 31:

1997	29.7%	11.2%	19.9%	29.7%	25.2%
1996	28.4%	10.1%	19.1%	31.4%	23.6%

3 mths.

ended

Dec. 31:

1997	30.3%	14.1%	22.2%	25.3%	25.9%
1996	28.8%	13.6%	15.6%	27.1%	24.0%

Funeral services performed:

12 mths. ended Dec. 31:

1997	231,243	148,223	102,985	50,678	533,129
1996	217,471	150,269	92,491	50,039	510,270

3 mths. ended Dec. 31:

1997	59,333	36,675	26,534	12,556	135,098
1996	57,285	38,219	22,772	12,342	130,618

Number of locations at December 31:

1997	1,574	1,101	712	298	3,685
1996	1,441	1,056	631	249	3,377

SOURCE Service Corporation International

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